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COMMENT ON STALIN'S INTERVIEW WITH ARGENTINE AMBASSADOR

Stalin's granting one of rare interviews to new
Argentine Ambassador is first-known top-level
Soviet effort to exploit differences between United
States and Latin American nations caused by
sharp rise economic nationalism and wider acceptance neutralist policies in that area. Stalin's
personal attention possibly foreshadows greater
interest Latin America, to which Soviet diplomacy
has previously given relatively little attention.

Argentina suitable focal point for divisive efforts because of Peron's advocacy neutralism and his efforts substitute Argentine for United States leadership in Western hemisphere.

We intend a briefing in greater depth on Latin

America in near future.

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NSA Declassification/Release Instructions on File.

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2. REACTION TO CHANGE OF MISSION OF 7th FLEET

Foreign reactions to the State of the Union message were specifically reactions to the change in the mission of the 7th Fleet.

In general they followed well-established lines of national policies and were what might have been expected, with the following exceptions.

Australia and New Zealand: Official statements recognize the right of the United States unilaterally to reverse what was originally a unilateral decision, though press comment contains an underlying uneasiness as to its consequences.

Yugoslavia: Government-controlled press expressed dissatisfaction on grounds that it increases possibility Korean war will be extended, enabling Soviet Union to tighten grip on China.

Latin American comment generally applauds the new "clarity" and "decisiveness of United States policy toward China."

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3, EDC in FRANCE

Report from Paris that French Socialists will vote against treaty in Parliament and no likelihood of majority for treaty in French Parliament without Socialists.

OCI feels this estimate premature and unwarranted. If a total of 100 Socialists and Gaulists either vote for treaty or abstain from voting, treaty will pass. Thirty Socialists have already indicated will vote for it. Guy Mollet, Secretary General of Socialist Party, states he can influence additional 50% of party "within narrow limits." (Total Socialist seats 105, Communist 101, Gaullists 85, total National Assembly - 627 seats). Consolidation of Mollet's position, not yet firm, is key to Socialist vote.

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CHINA SEABORNE TRADE	3	The state of the s	25X1
CHINESE IMPORTS	Long Tons	Composition Pol	
Hong Kong (including small craft)	1,500	Chemicals	
Balance of Free World	1,600	Drugs Cotton	
USSR and its European satellites	1,100	Paper Rubber Machinery Metals	
SUB-TOTAL	- 4,200		
Soviet Far East CHINESE COASTAL TRAFFIC	400	POL Paper	
In Communist controlled ocean-going vessels	8,000	Coa l	
In Free World ocean-going vessels	1,100	POL	25X1
TOTAL	- 13,700		

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25X1 TYPICAL US PORT DAILY UNLOADINGS (tons per day) New York 175,000 Portland, Me. 9,000 3,500 Philadelphia 78,000 Charleston, 8.C.

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41,000

TRANS-SIBERIAN RAILWAY AND CONNECTING RAILWAYS (tons per day)

Huntington,

Palm Beach

(2)

1,300

Trans-Siberian

Houston San Francisco

Gross capacity	33,000	Connecting lines
Railway and civilian needs	13,000	capacity -
Soviet military needs	4,000	Manchuria 13,000
Leaves available for delivery to Manchuria	16,000	China proper 8,000 (?)
Now being hauled for China and Korea	5,500	25X1
Excess capacity for China	10,500	
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Russia could without serious strain move goods via

trans-Siberian to replace imports and these could

be handled by Manchurian railways.

China could not transfer to inland systems the tonnage

now carried in coastal trade and the additional tonnage

it would have to receive from Manchuria.

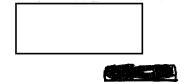
China

China

Most essential traffic including that needed to support

war in Korea could be carried; remainder would be

cut off until rolling stock increased.



(4)

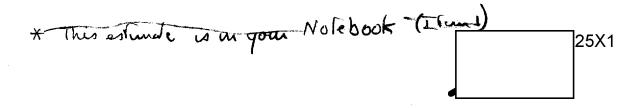
The foregoing figures are relevant intelligence facts to consider compliant. In making a policy decision as to what action should be taken with respect to China's seaborne trade, -- but they constitute only one element that must be considered in evaluating the net effect of action directed against such trade. As to this major intelligence question -- the net result of a blockade -- our last coordinated estimate, June 1952, appears to be generally still valid:

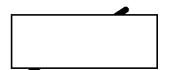
(SEE NEXT CARD)

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"This blockade would subject Communist China to considerable economic strain. We do not believe that, in the short run, there would be any significant reduction in Chinese Communist military capabilities or in the stability of the regime. A blockade would, however, seriously interfere with the execution of Chinese Communist long-term plans for economic development and would make it more costly for the USSR to underwrite an expansion of present Chinese Communist military capabilities or new military ventures."





(June 1952)

Since the publication of SE-27 there has been an upward trend in Communist China's seaborne imports. There has also been an upward revision of the estimate of the capacity of the trans-Siberian Railroad. Estimates now in preparation indicate a higher rate of growth of Eloc production. The consequence of these developments is uncertainty concerning the validity of some parts of SE-27. For this reason, and because of the desirability of a firmer estimate of the effects of a blockade on probable Chinese Communist courses of action in Korea and elsewhere SE-27 is being revised on an urgent priority.

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(6)

Approved For Release 2005/08/10: CIA-RDP80R01443R000100030001-8 CHINA SEABORNE TRADE

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Ballance of Free World	1,600	Cotton Paper
USSR and its European satellites	1,100	Rubber Machinery Metals
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SUB-TOTAL	200و14	
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CHINESE COASTAL TRAFFIC		•
In Communist controlled ocean-going vessels	8,000	Coal
In Free World ocean-going vessels	1,100	POL
TOTAL	13,700	

TRANS-SIBERIAN RAILWAY AND CONNECTING RAILWAYS (tons per day)

Trans-Siberian

Gross capacity	33,000	Connecting lines capacity -	•,.
Railway and civilian needs	13,000	Manchuria	13,000
Soviet military needs	4,000	manonal la	000وري
Leaves available for delivery to Manchuria	16 , 000	China proper	8,000 (?)
Now being hauled for China and Korea	5 , 500		
Excess capacity for China	10,500		

The above data indicates:

Russia <u>could</u> without serious strain move goods via trans-Siberian to replace imports, including Korean war supplies, and these could be handled by Manchurian railways.

China could not quickly transfer to inland systems the tonnage now carried in coastal trade and the additional tonnage it would have to receive from Manchuria.

Most essential China traffic including that needed to support war in Korea could be carried; remainder would be cut off until rolling stock increased.

The foregoing figures are relevant intelligence facts to consider in connection with a policy decision as to what action should be taken with respect to China's seaborne trade, -- but they constitute only one element that must be considered in evaluating the net effect of action directed against such trade. As to this major intelligence question -- the net result of a blockade -- our last coordinated estimate, June 1952, appears to be generally still valid:

 \sqrt{P} aragraph 4 of SE-2 $\overline{7}$ -

"This blockade would subject Communist China to considerable economic strain. We do not believe that, in the short run, there would be any significant reduction in Chinese Communist military capabilities or in the stability of the regime. A blockade would, however, seriously interfere with the execution of Chinese Communist long-term plans for economic development and would make it more costly

for the USSR to underwrite an expansion of present Chinese Communist military capabilities or new military ventures."

Since the publication of SE-27 (June 1952) there has been an upward trend in Communist China's seaborne imports. There has also been an upward revision of the estimate of the capacity of the transsiberian Railroad. In view of these facts, I am requesting the IAC as a matter of urgency to prepare an up-to-date revision of SE-27.

Word

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THE PROBLEM OF WON ADVANCES TO THE UN FORCES

The won advances to the UN forces for local expenditures in prosecuting the war is one of the chief factors in the current inflation in South Korea. These drawings almost equal the entire South Korean note circulation. Negotiations are under way for a lump-sum settlement of past drawings and the establishment of an exchange rate for future drawings.

Major difficulty in settling the dispute is the unrealistic exchange rate maintained by South Korea. This has undoubtedly been done in order to support their claims for repayment of the won advances. Acceptance of this rate clearly represents a discrimination against the United States.

There has been a 13-fold expansion in the money supply since the start of hostilities. Retail prices have increased 18-fold. The inflation problem is compounded by a huge deficit in the proposed South Korean 1953-53 budget. This deficit will be further increased with expansion of the South Korean forces.

The South Korean Government, and part of the press, attributes the inflation to failure of the UN to repay the won advances in full. Easy credit policies of Korean banks and continuing budget deficits are contributing factors, however.

The amount of dollar settlement for past won drawings is not important, however, since larger amounts of aid in one form or another will be required.

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A settlement of the won advances, the adoption of a realistic exchange rate, more effective financial measures by the South Korean Government, and an increase in the sale of UN aid goods are prerequisites to halting the seriously deteriorating economic conditions in South Korea.

These conditions are being increasingly exploited by North Korean propaganda, and failure to take decisive steps to stabilize the economy is playing into the hands of the Communists. Unless the inflation problem is attacked vigorously the war effort could be seriously hampered or even jeopardized.

VITAL STATISTICS

Total UN Won drawings to date equal
Total dollars repaid to date

ROK official exchange rate
Unofficial exchange rate
Anticipated South Korean revenues in 1953 - 4 budget
Anticipated expenditures in 1953-4 budget

\$163,000,000
56,200,000
1 8000 won = 1 dollar
1 8000 won = 1 dollar
3 trillion won
7.2 trillion won
4.2 trillion won Deficit

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